

**REPORT
 HIGHLIGHTS**
 SINGLE AUDIT

Subject

Pinal County spent \$14.9 million of federal monies this past year for 65 programs. The largest federal grants were for health and welfare, housing, education, public safety, and family nutrition. In return, the County is responsible for demonstrating accountability for its use of both federal and state monies, maintaining strong internal controls, and complying with federal program requirements. As the auditors, our job is to determine whether the County met its responsibilities.

Our Conclusion

The County maintained adequate internal controls over financial reporting. However, auditors identified seven weaknesses in those internal controls. Additionally, for all seven federal programs tested, auditors found internal control weaknesses and instances of noncompliance with program requirements. For two federal programs tested, material noncompliance with program requirements was found. See page 2 for further information.



2007

Year Ended June 30, 2007

**The County Should
 Strengthen Certain Controls
 over Financial Reporting**

The County's management is responsible for maintaining adequate internal controls. However, this was not always accomplished. Auditors found seven internal control weaknesses. The material weaknesses were as follows:

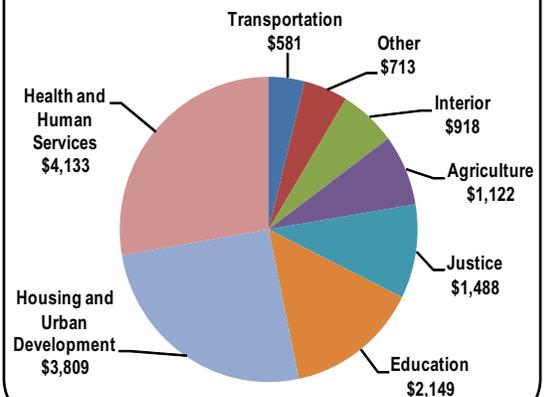
- The County did not have policies and procedures to protect sensitive financial and personal information on its general ledger, treasurer, and housing systems against unauthorized access.
- The County did not have a comprehensive disaster recovery plan that is updated and tested regularly.
- The County had to adjust its financial records for significant errors in reporting infrastructure assets because it did not have proper policies and procedures in place to ensure infrastructure assets are properly valued and reported.
- The County did not have adequate policies and procedures over capital assets to ensure they are properly identified, reconciled, valued, and reported.

**Expenditures of Federal
 Monies Increased by
 Over \$1 Million**

Overall, the County's expenditures of federal awards increased by approximately \$1.1 million. The largest changes consisted of the following:

- \$942 thousand increase in U.S. Department of Education programs, mostly related to an increase in the Reading First State Grants.
- \$355 thousand increase in U.S. Department Housing and Urban Development programs, mostly related to a new program, Home Investments Partnerships Program.
- \$334 thousand decrease in Election Assistance Committee, Help America Vote Act Requirements Payments.

**Federal Expenditures by Awarding Agency
 Totaling \$14.9 Million
 Fiscal Year 2007
 (In Thousands)**



The County Did Not Always Comply with Federal Program Requirements

Auditors identified and tested seven federal programs under the guidelines established by the Single Audit Act. Audit tests included evaluating the County's compliance with each program's federal regulations generally related to expenditures, eligibility, and reporting federal awards. Auditors noted internal control weaknesses and instances of noncompliance with program requirements for five of the programs tested. Material noncompliance was

found with the Public and Indian Housing and Section 8 Housing Choice Vouchers programs. In addition, auditors noted one internal control weakness in the County's inability to report federal program expenditures accurately, and one internal control weakness in complying with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, report submission requirements.

Summary of Internal Control Weaknesses and Instances of Noncompliance

Program	Responsible Department	Type of Compliance Requirement					
		Activities/ Costs ¹	Cash ²	Match ³	Report ⁴	Suspension ⁵	Special ⁶
PIH	Housing	X			X		
Section 8	Housing	X	X		X		X
Reading First	Mary C. O'Brien		X		X		
CDC	Public Health		X		X	X	
CSE	County Attorney, Clerk of the Superior Court, and Family Law Commissioner			X	X		X

PIH—Public and Indian Housing

Section 8—Section 8 Housing Choice Vouchers

Reading First—Reading First State Grants

CDC—Centers for Disease Control and Prevention—Investigations and Technical Assistance

CSE—Child Support Enforcement

¹Activities/Costs: Federal monies were expended for unallowable activities and/or unallowable costs.

²Cash: Federal monies requested and received were in excess of, or not sufficient for, immediate program needs or program costs were not paid for by entity monies before reimbursement was requested.

³Match: Federal monies were not matched with state/local monies, or a specified level of service was not maintained.

⁴Report: Financial/nonfinancial data information reported to federal/pass through grantors was not accurate or timely.

⁵Suspension: Procurement and suspension and debarment regulations were not complied with.

⁶Special: Unique program requirements were not complied with.

County's Condensed Financial Information

The County's government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to private-sector businesses. These statements report the financial activities of the overall government, except for fiduciary activities.

The tables shown present a summarized version of the County's government-wide Statement of Net Assets and Statement of Activities reported in the current year Comprehensive Annual Financial Report.

The Statement of Net Assets presents information on all county assets and liabilities, with the difference between the two reported as net assets. The Statement of Activities presents information showing how net assets changed during the most recent fiscal year.

The information presented above is included in the County's separately issued Comprehensive Annual Financial Report, dated June 23, 2008.

	Total Governmental and Business-type Activities
Program revenues:	
Governmental activities	\$155,870
Business-type activities	52,828
General revenue/transfers:	
Governmental activities	142,978
Business-type activities	<u>244</u>
Total revenues	<u>351,920</u>
Expenses:	
Governmental activities	214,747
Business-type activities	<u>50,276</u>
Total expenses	<u>265,023</u>
Change in net assets	86,897
Net assets—beginning, as restated	<u>268,102</u>
Net assets—ending	<u>\$354,999</u>

	Total Governmental and Business-type Activities
Current and other assets	\$186,352
Capital assets	<u>377,734</u>
Total assets	<u>564,086</u>
Current and other liabilities	30,668
Long-term liabilities	<u>178,419</u>
Total liabilities	<u>209,087</u>
Net assets	
Invested in capital assets, net of related debt	210,267
Restricted net assets	105,091
Unrestricted net assets	<u>39,641</u>
Total net assets	<u>\$354,999</u>

The Single Audit Fact Sheet

- Seven weaknesses in financial reporting internal controls, four of which were material weaknesses.
- Fourteen weaknesses in federal compliance internal controls, eight of which were material weaknesses.
- Thirteen instances of noncompliance with federal compliance requirements, four of which were material noncompliance.
- Program costs of \$97,048 were questioned as a result of our audit.

TO OBTAIN
MORE INFORMATION

A copy of the full report
can be obtained by calling
(602) 553-0333



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our Web site at:
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Contact person for
this report:
Tara Erickson

